LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6293
BILL NUMBER: SB 583

NOTE PREPARED: Jan 20, 2011
BILL AMENDED:

SUBJECT: New Employer Tax Credit.

FIRST AUTHOR: Sen. Taylor
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill reduces from ten to one the number of qualified employees that a corporation or pass through entity must employ in order to qualify for the New Employer Tax Credit. It excludes an individual hired as a seasonal worker from the definition of qualified employee. The bill also extends the credit for one year (to taxable years beginning before January 1, 2014).

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR)*: The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect provisions in the bill changing the New Employer Tax Credit. The DOR's current level of resources should be sufficient to implement these changes.

Indiana Economic Development Corporation (IEDC): This bill could potentially expand the pool of entities that are able to qualify for the New Employer Tax Credit. If the changes to the bill increase tax credit applications, the IEDC could potentially incur additional administrative expenses.

Explanation of State Revenues: *Summary* - The bill could potentially increase the pool of applicants eligible for the New Employer Tax Credit beginning in tax year 2012. The bill also extends the tax credit by one year by changing the expiration date from December 31, 2012, to December 31, 2013. These changes could potentially reduce revenue from the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax beginning in FY 2013, but the impact is unknown.

Background Information - The New Employer Tax Credit is for a new or existing corporation or pass through entity that employs at least 10 qualified employees as a result of locating a new business enterprise in Indiana, relocating an existing business enterprise from another state to Indiana, or expanding an existing business enterprise in Indiana after December 31, 2009. The tax credit must be approved by the IEDC. The tax credit is equal to 10% of the wages paid each month to qualified employees for a period of 24 consecutive months following the credit approval by the IEDC and during which time the corporation or pass through entity complies with all the credit requirements. If a corporation or pass through entity approved for credits fails to employ at least 10 qualified employees or comply with other credit requirements during the 24-month period, the credit ceases and cannot be claimed for wages paid after that point. The IEDC may approve applications for credits until January 1, 2013.

The credit is nonrefundable, but unused credits may be carried forward for up to 9 years. Unused credits may not be carried back. The credit may be applied against AGI Tax, Financial Institutions Tax, or Insurance Premiums Tax liabilities. Revenue from these taxes is distributed to the state General Fund.

According to the IEDC, no businesses have applied for the New Employer Tax Credit as of November 4, 2010. This may be because businesses may choose the Economic Development for a Growing Economy (EDGE) tax credit instead of the New Employer Tax Credit. The EDGE credit is available for employers adding at least 35 employees, and is a refundable tax credit. The New Employer Tax Credit has not been awarded to any companies creating 10-34 new jobs, even though they do not qualify for the EDGE tax credit.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

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